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UNCLAS SECTION 01 OF 02 ASUNCION 001204

SIPDIS

SENSITIVE

STATE FOR EB/IFD/OIA
STATE FOR EB/TPP/IPE
STATE FOR INL/LP ABBY SMITH
STATE FOR INL/C/CP ADAM SHANTI
STATE PASS TO USAID FOR LAC/AA
STATE PASS TO USTR FOR LYANG
NSC FOR SUE CRONIN
TREASURY FOR OSIA MAUREEN WAFER
TREASURY FOR OTA WARFIELD, VAN KOCH, MILLAR
COMMERCE FOR ITA SARAH COOK
SOUTHCOM FOR POLAD DAN JOHNSON

E.O. 12958: N/A

TAGS: [ECON](#) [KCRM](#) [KIPR](#) [PA](#) [PGOV](#) [PREL](#)

SUBJECT: PARAGUAY: IPR-UNIT NABS CUSTOMS OFFICIAL

REF: A. ASUNCION 1167

[1](#)B. ASUNCION 0972

[1](#)C. ASUNCION 0423

[1](#)1. (U) This cable is sensitive but unclassified. Please protect accordingly.

[1](#)2. (SBU) SUMMARY: On 9/15, during a Treasury Department training course, Col. Felix Cruz, the director of the Ministry of Industry and Commerce's (MIC) INL-funded Specialized Technical Unit (UTE) coordinated with prosecutors to arrest Customs official Luis Alberto Panza Benitez, a member of the Customs Verification and Technical Unit (UTAVE), on bribery charges. Panza is reportedly well connected to former Senator and current Ambassador to Spain, Nelson Argana. A private sector despatch agent who is a Colorado who ran for a governorship in the last election was also arrested as an accomplice to bribery. This success demonstrates that US-trained investigators and vetted units can make a dramatic difference. End Summary.

[1](#)3. (SBU) On 9/15, Col. Felix Cruz, the director of the MIC's INL-funded Specialized Technical Unit (UTE) that fights Intellectual Property Rights (IPR) crime, orchestrated the arrest of Luis Alberto Panza Benitez, a politically connected UTAVE customs official operating in Ciudad del Este, on charges of aggravated bribery. The operation occurred during a four-week criminal investigators training course being put on by Treasury's Resident Enforcement Advisor, and the arrest took place on the sidewalk outside the meeting site. Carlos Palacios, a private sector customs broker and Colorado politician who unsuccessfully ran for the governorship of the Central Department in the last election, was also charged as an accomplice to aggravated bribery. Additional charges could be filed against an Air Force Colonel and former colleague of Col. Cruz, who initially communicated Panza's offer to Cruz.

[1](#)4. (SBU) On 9/12, Air Force Colonel Jorge Nunez called Col. Cruz and offered to put him in touch with Panza, who was prepared to offer Cruz \$2,000 for the release of a shipping container filled with CDs and DVD,s that UTE had held up for inspection for undervaluation. The importation documents registered with the MIC claimed that the shipment included 738,000 blank CD-Rs valued at about USD 95,000, when in fact the shipment contained 138,000 CD-Rs and 600,000 DVDs which are more valuable than CD-Rs, worth a total of closer to USD 130,000. Cruz immediately went to a prosecutor to file a report and obtain the legal authorization to record subsequent conversations. Panza was eventually lured to the site of the training class and Col. Cruz stepped out of class to assist in the arrest, where he was given a bag containing 10 million Guaranies (about USD 1,640) as a down payment on a USD 2,000 total payment. During the three days of negotiations, Carlos Palacios, the customs broker, also called Cruz and offered a USD 5,000 bribe with the condition that Cruz would thereafter work exclusively for Palacios.

[1](#)5. (SBU) All of the press coverage referred to Cruz only as an employee of UTE or the MIC, and never mentioned him by name, no doubt at his request. Panza reportedly faces up to three years in prison if the legal process works properly in this case. The prosecutor on the case, Arnaldo Giuzzio, is known to the Embassy and has been vetted. He was recently transferred from the anti-kidnapping unit to the anti-corruption unit. He is excited about the new role, but laments the lack of resources of the unit.

[1](#)6. (SBU) After returning from a Mercosur meeting in Montevideo, Customs Director Margarita Diaz de Vivar announced that Panza was working as a contractor of Customs, and not as a civil servant, and as such his contract would be

terminated. Another customs official said that Panza, who had previously been a customs inspector, had no specific role in Customs after the entry into force in January of the new Customs Code. Panza reportedly obtained his position through the influence of Nelson Argana, a powerful ex-Senator and current Ambassador to Spain, and has been a key player in facilitating the illicit trade of Arab and Chinese business interests in Ciudad del Este. Panza is associated with Argana,s Colorado Reconciliation Movement (MRC).

17. (SBU) COMMENT: Nelso Argana is the son of assassinated Vice President Luis Maria Argana. The Argana family figures large on the political scene in Paraguay; its members have been tied in the past to allegations of customs fraud. UTE Director Cruz deserves high marks for orchestrating this arrest -- on the margins of a US-sponsored criminal investigations course no less. The bust comes on the heels of Finance Minister Bergen's exultation to "bring him some big Customs cases" (ref. A) and just as the GOP launches a campaign to formalize activities in Ciudad del Este. Proper closure of these cases is always the key and most difficult to achieve. We will follow the case closely and keep Washington apprised as appropriate. This shows, once again, that US-trained invesgitators and vetted units can make a dramatic difference. End Comment.
KEANE